

WEDNESDAY

**SPECIAL MEETING
7:00 P.M.**

AUGUST 3, 2011

This Special Meeting of Council was called to order on the above-stated date at the above-stated time after the Pledge of Allegiance and a Moment of Silence by President of Council Michael Cherepko with the following Members of Council present:

**RC-1 PRESENT: MICHAEL CHEREPKO, LORETTA
DIGGS, DALE McCALL, DARRYL
SEGINA, ALFRED TEDESCO, JR.,
FAWN WALKER**

ABSENT: RICHARD DELLAPENNA

Also present were Mayor Regis McLaughlin, City Administrator Dennis Pittman, City Solicitor Craig Alexander and members of the Administration.

Ms. Williams said that Mr. Dellapenna is at work and will not be able to attend the meeting.

CITIZENS IN THE AUDIENCE:

- Mr. Cherepko said they have two citizens in the audience this evening. He said would Ray Malinchak come forward and state his name and address for the record and he has three minutes to speak.
- **RAY MALINCHAK, 600 BECKMAN DRIVE, McKEESPORT, PA 15132-7413.** Mr. Malinchak said he has a couple of comments and observations on the purpose for this Special Meeting. He said he just received a copy from Ms. Williams and he noticed it was 15 pages with changes. He said his main comment is that he urges Council to table both Bills until everyone has more time to study this and also suggest that Council consider hiring an outside firm, perhaps

something like the Pennsylvania Economy League, to do an evaluation on this from the City's side. He said this is very complex. He said there are items in there that almost require a flow chart to follow. He said there is some phraseology in there bothers him, like irrevocable, and he doesn't see any interest rates. He said he also doesn't see other items in there that he thinks protect the City that they should have. He said one of the overriding items is that he was under the mistaken impression three weeks ago that the City Solicitor was going to get back with a ruling on them the following Monday with regard to determining whether there is an issue between the Municipal Authority and elected positions in the City and whether a person that sits on an Authority Board is eligible to participate as a Councilman. He said they were promised that answer three weeks ago and he thinks that has a bearing on this. He said the other item he would like to bring up is that there is no indication right here when Mr. Pittman gets his check for \$24 million. He said the clock is running at the rate of \$2,666.00 a day in interest. He said can they guarantee the citizens of this community that they are not going to be exceeding less than that amount of money when all these complex transactions go through. He said because right now they have an investment where they are guaranteed 4% and on \$25 million to make it simple ... and he knows that the amount is only \$24 million ... there is a \$960,000 a year interest which is about \$2,600 per day. He said are they going to be able to match that. He said the overriding question on all of this is why are they doing this and what is the harm done to the City if they don't do it. He said can anyone answer that question.

- Mr. Cherepko said when they get to this Resolution they have a gentleman here who is going to speak in regards to that.
- Mr. Malinchak said the second part, Mr. Cherepko, is that if they don't do it, does the City go out of business

tomorrow. He said what is the harm if they don't do it. He said what if they delay this a month or two, what is the harm. He said thank you.

- Mr. Cherepko said a lot depends on the market and things that they will see in a little bit.
- **ANNETTE JAMES, 2618 FOREST STREET, McKEESPORT, PA 15132.** Ms. James just wanted to remind everyone that International Village is coming out this month on the 16th, 17th and 18th. She said make sure they get out there and have a good time. She said it seems to be the McKeesport place to see and be seen. She said people always run into old friends, old family and everyone. She said they can meet and greet and support all of their organizations and churches in the City by buying their wares at their booths. She said she also wanted to thank Public Works. She said she understands they already have the booths up. She said it is a lot of work to set up and break down everything for International Village. She said everyone thinks that it is overnight but there is a lot of work entailed in it and they do a great job. She said she just wanted to thank them also for all their hard work.

NEW BUSINESS:

ORDINANCE #11-14 – BILL #178: AN ORDINANCE OF THE CITY OF McKEESPORT DIRECTING THE USES OF SUCH PROCEEDS OF THE MUNICIPAL AUTHORITY OF THE CITY OF McKEESPORT'S PREPAYMENT OF 1997 AND 2008 AGREEMENTS BETWEEN THE CITY AND AUTHORITY; DIRECTING PROPER OFFICERS OF THE CITY TO EXECUTE, DELIVER, AND CERTIFY APPROPRIATE DOCUMENTS AND CERTIFICATES AUTHORIZED HEREIN AND AS OTHERWISE NECESSARY AND PROPER, AND TO DO AND PERFORM CERTAIN SPECIFIED AND REQUIRED ACTS AND THINGS, ALL THE FOREGOING AS NECESSARY AND APPROPRIATE;

**PROVIDING FOR SEVERABILITY OF PROVISIONS;
REPEALING ALL ORDINANCES AND RESOLUTIONS OR
PARTS THEREOF INsofar AS THE SAME SHALL BE
INCONSISTENT HERewith AND PROVIDING FOR AN
EFFECTIVE DATE FOR THIS ORDINANCE.**

- Mr. Segina said he would like to make a motion to table this Bill until they have a comprehensive analysis of what all this jargon means in this particular Bond Ordinance and also the figures that Mr. Malinchak talked about so that they can make a more determined reasoning and judgment on this particular bond. He said he thinks it is important. He said it is \$24 million and he got this at noon today and got revised language which is very complex and hard to understand as a layman. He said he has not had a chance to really digest everything that is going on here. He said for them to sit down here now and make a judgment on \$24 million is beyond comprehension as far as he is concerned.
- Mr. Cherepko said in regards to his motion that is why they have the individuals here to address these needs.
- Mr. Segina said he has a motion on the floor.
- Mr. Tedesco said he is inclined to agree with Mr. Segina because most of them have had less than 24 hours to review this and he doesn't know if they can really fully comprehend the long term effects in just this meeting alone, so he will second the motion.

**MOTION: Mr. Segina moved, seconded by Mr. Tedesco,
"To table Bill #178."**

- Mr. Segina said he would also like to add that for them to sit here and make some kind of judgment on this, all these months have gone by and they asked about this ... he knows he did especially a couple of times about what is going on with the bond and they even kind of mixed up with another issue that they had and nothing was said. He said until it

was mentioned on Friday and then they did not get this until noon today. He said yet they are still sitting here saying what is going on with this and why are they doing it and what is the benefit to the City. He said why is the Sewage Authority presenting it ... what is their advantage in this and what is the City's advantage. He said he just doesn't understand this. He said why isn't the City sitting down with the Authority Board itself to go over this so they both know what the pros and cons of this particular ordinance are.

- Mr. Cherepko said he thinks
- Mr. Segina said there is not a spirit of cooperation and communication here.
- Mr. Cherepko said he thinks in regards to Mr. Segina's comments and to clarify the record, for one, the City is not issuing a bond. He said all they are doing is getting cash that is owed to them. He said he thinks that is what they have these individuals here this evening to ask questions regarding that and they are going to explain the plan that they have come up with for the City. He said that is what they are here for but they do have a motion and a second so they need to have a roll call.
- Mr. Segina said may I say one more thing.
- Mr. Cherepko said no, they are going to go with the roll call.
- Mr. Segina said thank you very much Mr. Cherepko.

RC-2 YEAS: SEGINA, TEDESCO 2

NAYS: CHEREPKO, DIGGS, McCALL, WALKER..... 4

- Mr. Segina said he would like to submit to the Solicitor a conflict of interest of one of their Council members being on the Authority too and voting on issues on both....

- Mr. Cherepko said Mr. Segina first of all he is out of order. He said they just had a Bill ... does he have a motion to move this Bill forward.
- Mr. McCall said he will make the motion.
- Mr. Segina said he is trying to make a comment on this.
- Mr. Cherepko said does he have a second to move this Bill forward. He said they have a second.
- Mr. Segina said this is illegal according to this.

**MOTION: Mr. McCall moved, seconded by Ms. Diggs,
"To adopt Bill #178."**

- Mr. Cherepko said now they will have a discussion. He said now they have a discussion. He said if Mr. Segina would like to speak....
- Mr. Segina said he has this literature that he pulled off of the internet and there is also a case study on this that Mr. Alexander can peruse. He said this is also from the Third Class City Offices. He said not to slight the member itself being on that particular Board except that he should not be on there as well as the other members who are associated with the City itself as appointed or elected officials. He said he also has another one here that he has marked off and the case study, Commonwealth v. Lucas that he wants the Solicitor to look at.
- Mr. Cherepko said they are going to move forward.
- Mr. Segina said this won't take long Mr. Cherepko, everything is in short sentence here and it is marked off.
- Mr. Cherepko said is he asking Mr. Alexander to look at this now. He said they are going to move forward with the meeting. He said at this time, Mr. Segina has made it very clear and has said that he felt that there was some legal issues as far as Board members and where they are at. He

said he believes these are Board members that Mr. Segina personally voted for in the past although that is neither here nor there. He said he would like the record to show that also. He said they are going to move forward at this time and he is going to turn the show over to Mr. McShane and the team that has come this evening to answer any questions that City Council may have for them. He asked Mr. McShane to come to the podium.

- **MR. JOHN McSHANE, MANAGING DIRECTOR, BOENNING & SCATTERGOOD, INC., 2025 GREENTREE ROAD, SUITE 200, PITTSBURGH, PA 15220.** Mr. McShane said thanks Mr. President and Mayor and City Council members. He said it is nice to see everyone again. He said he thinks it has been close to five years since he has been in this chamber. He said the last time he was here they helped the City restructure some of its debt and put itself in a position to get itself out of a negative fund balance. He said what they are here to talk about tonight is something that he actually took care of before that. He said in 1997 close to over 15 years ago, the Authority was an upcoming Authority and was not in the position where it could actually obtain financing on its own. He said the Authority came to the City and asked the City to borrow money on its behalf. He said since that time the Authority has grown and put itself in a position where it now has a higher credit rating than the City and has access to the capital market at lower interest rates than the City has. He said it is a growing Authority which purchased the lines from the City and has purchased other Authorities at this point. He said in its time, it has made a decision that to better maintain their cash flow, they would like to prepay certain outstanding leases made from the City to the Authority because their cost of capital is less than the cost of capital currently being charged by the City. He said from the Authority's perspective it makes boatloads of sense for them to move forward with the transaction. He said they know from the Authority's perspective that is great. He said what

they have in front of them tonight are Resolutions on what to do if the City accepts the Authority's money and how to allocate it to put the City in a better position. He said that is what they are going to talk about this evening. He said but before they get into that, they will quickly go through what the Authority owes the City and why they owe the City. He said on page 2 they have two outstanding leases from the Authority to the City and the first was created in 1997 in the initial dollar amount of \$3.5 million. He said currently outstanding is \$2.5 million. He said the Authority is paying on that \$344,000 a month or annually, payable quarterly with a final maturity of 2022. He said the larger lease was created in 2008 and was for the purchase of the lines. He said the initial amount was \$30 million and they paid \$3 million up front and there is currently \$21 million outstanding on that lease and it is payable annually, payable monthly, for \$1.9 million. He said when they look at what the Authority owed the City on an annual basis; they are paying the City roughly \$2.3 million annually on these two leases. He said they had been prepaying on an annual basis for the last two years on the final 2008 lease. He said now they know there is a problem that if the Authority prepays these, they are losing cash flow. He said now they want to look at what the City has outstanding. He said the City has two outstanding Bond Issues, one taxable and one tax-exempt. He said both of these Bond Issues were completed in 2005 and the remaining balance of the tax-exempt, Series A of 2005, has a balance of about \$12 million. He said the Series B of 2005 has a balance of about \$18.46 today. He said those Bond Issues mature in the years 2034 and 2035. He said the current interest rates on those two Bond Issues, the City's cost of capital, what it costs the City to go out and get this money on the tax-exempt side ... they consider the interest they are paying the Bond Insurance Company on an annual basis which is close to 5% on the tax-exempt. He said on the taxable Bond it is close to 6%. He said if they go back and look at what they are talking about. He said the City has loaned the Authority money at 4% but their

cost of capital to get money is somewhere between 5% and 6%. He said from the City's perspective is there a way they can better utilize those taxes coming in to make it work better for them than the way they had it set up to loan it to the Authority. He said that is what they are going to talk about. He said page 5 is how they have services set up. He said now they know what they are getting from the Authority and how can they use this to reduce the City's debt service. He said the City's debt service is relatively level over the next 25 years until 2035. He said some payments go up and some payments go down but when they add them together it is the same payment over than same time period. He said the City's goal when looking at this cash is how to utilize this to put the City in the position where they are still coming up with this cash flow and reducing their debt. He said they do have a rate of return that is higher than 4%. He said those were the goals when they set up this plan. He said page 6 goes through what the Authority is going to prepay the City which is about \$24,385,000. He said they expect this transaction to close on September 1. He said the Resolutions they have in front of them are only to accept those funds and how to utilize those funds when they get them. He said if they did not pass a Resolution, the funds would still be available on September 1 to the City, still be turned over to them. He said this Resolution just encumbers those funds and starts to pay down debt so it goes to work for them as soon as possible. He said they know when these funds come over they immediately lose \$2.3 million which is broken down at the bottom of page 6. He said so what do they do. He said that is on page 7. He said this is what they recommend that the City does with these funds. He said their goal is to come up with a way that the City at least has a cash flow in a positive position when this is all done. He said they know the City is losing \$2.3 million and this City cannot afford a cash flow negative position. He said on page 7 they have what they call the Sources and Uses of Funds on how these are going to be allocated. He said there is \$24,385,000

coming in and they are basically going to recommend doing three things with these funds. He said the first is of those two Bond Issues that they have outstanding, one is currently called and they can take those bondholders off the market immediately. He said so they want to take a portion of those bonds off the market immediately. He said those are the 4% bonds or higher. He said so they know that for every dollar that the City receives from the Authority that they were paying the City 4%, they are going to at least receive that when they take these bonds off the market. He said they are investing in themselves. He said it is an easy decision. He said the second recommendation is they will set up an escrow account and inside that escrow going to do a couple of things. He said first it will allow them to pay some of their debt service out of that escrow account. He said the escrow account will be associated with the 2005 Taxable Bond Issue. He said the reason they call it an escrow account and that they are setting this account up this way is because they cannot call these bonds in today. He said they are not callable until 2014 and there is nothing they can do about it. He said there is actually a small something they can do about it which they will get into later. He said they will set up an escrow account which will give them some cash flow relief and allow that escrow account ... and they won't know what the rate of the escrow account will be because once that money is turned over, it is invested with a trustee who sets up the escrow account and will be invested in Treasury Securities which would be lower than 4% for that three year time period until it pays off the bonds. He said once it pays off those bonds, then the internal rate of return of that account jumps to about 6%.

- Mr. Malinchak said the escrow account on page 7 is \$15,000
- Mr. Cherepko said Mr. Malinchak.
- Mr. Malinchak said he has a question.

- Mr. Cherepko said Mr. Malinchak is out of order.
- Mr. Malinchak said \$15,464,000, is that correct.
- Mr. Cherepko said Mr. Malinchak is out of order. He said this is a meeting for Council. He said he is going to ask Mr. Malinchak one more time to remain quiet.
- Mr. Malinchak said get the policeman to get him out of here because he has a question. He said is that \$15 million in the escrow account.
- Mr. Cherepko said Mr. Malinchak and pounded his gavel. He said Mr. Malinchak ... one more time ... if he opens his mouth again ... he is asking him to be
- Mr. Malinchak said he is out, just throw him out. He said is that \$15 million in the escrow account.
- Mr. Cherepko said would they remove him please.
- Mr. McShane said all the numbers on the
- Mr. Cherepko said Mr. McShane does not to address that question. He said he does not need to address this. He said this is a Council Meeting and this is presented to Council and he is not a voting member of this Board. He said he knows that and that is why he signed in as a Citizen of the Audience and why he did a three page memo that he also turned over to the media in the meantime. He said Mr. McShane may continue.
- Mr. McShane said there is the \$15 million ... all the numbers....
- Mr. Cherepko said excuse me.
- Mr. McShane said first of all, all the numbers on these pages are estimated numbers and are fungible and may change depending on where interest rates are and when it makes

sense to call in and what the ultimate structure is going to be.

- Mayor McLaughlin said on all of the pages or just this page.
- Mr. McShane said just on this Sources and Uses of Funds. He said this is just estimated and once the money comes in they are going to lock everything in. He said just so they know, none of this actually set in stone and is only a recommendation. He said they have \$15.4 million going to the escrow account that will be used to redeem the 2005 Taxable Proceeds which again are at 6%. He said they will have another account called the Cash Flow Account which will do a couple of things as well. He said it will allow the City to come up with Cash Flow so they can meet a \$2.3 million deficit that was created once it was paid off. He said that will be used on a yearly basis and again until 2014 when the Taxable Bond Issue can be called. He said in 2014 they have a second decision to make as Council and that decision is what and how many bonds to call in. He said do they leave them outstanding or do they restructure everything or do they issue refunding bonds in the open market. He said what they are authorizing in this Resolution is just to put the ball into play. He said it doesn't necessarily lock everything in. He said it gives them the flexibility as Council that if for some reason they need to change something, they as a Council and the Mayor can vote to change in the future. He said they wanted to leave them in a position that even though this is the game plan, blueprint for what they are going to do with this money, it can be changed in the future. He said what this game plan does at the bottom of the page is that they know in 2011 in that first box, they are going to lose \$490,000 because the Authority is not going to pay them anymore. He said that was in the budget so they are going to have roughly \$1 million to \$1.4 million that is sitting in the Cash Flow Escrow Account that could be used to offset some of the money because they will not receive any more payments from the

Authority and that will help balance this year's budget. He said the second thing they are going to do.

- Mr. Cherepko said he has a question before they go on. He said it is \$970,000 that is a net budget gain which the money is budgeted for. He said as the Resolution says this money is coming into the City that Council will have action on, will this \$970,000 be put into a reserve fund that will take a majority action of Council also.
- Mr. McShane said that will be in the Cash Flow Escrow Account and would require City Council action to balance the budget again. He said the Resolution they pass tonight, even though they are recommending to do that, they will need a second resolution to do that.
- Mayor McLaughlin said it will work just like the Mayor's Fund.
- Mr. McShane said no matter what happens; the Resolution just puts every piece of the funds into a different pond then allows Council and the Mayor to decide when and how to spend that with another vote. He said the most important piece of the plan is how do they come up with the \$2.3 million. He said they know they are going to pay off some debt it goes away and they will have a cash flow gain from that. He said they also have that Cash Flow Account set up that will help balance the budget over the next three years so that they come up with, even though they lose \$2.3 in revenue from the Authority, they gain roughly \$2.3 million in new cash flow which offsets the revenue loss and they have reduced their debt service. He said at the bottom of the page is their debt profile. He said if they do nothing and did not receive this money, they would have these outstanding balances owed to them by the Authority and would have roughly \$30 million in bonds outstanding. He said based upon this plan if everything is implemented as is on this page, they will have roughly \$12 million in debt outstanding. He said the benefit of that is that they currently are a non-

rated City. He said once they start reducing their debt ... one of the problems is they have been working with the Administration every year going to the rating agencies and telling them that they think these guys are moving in a positive direction and should be upgraded and receive an investment grade rating. He said once they receive that investment grade rating, the insurance premium that they pay on an annual basis would go away. He said one of the problems they have had in not giving them an investment grade rating is because their debt is so high. He said they would not recognize the loan due from the Authority to the City as a true asset even though it is a true receivable. He said they would not offset the debt by that asset. He said what they are doing is physically doing that for them so when the rating agencies look at them they say the City doesn't have \$30 million in debt outstanding, they only have \$12 million. He said that has to be looked from a positive standpoint and should put the City in a position moving forward where they will have a rating and then all of the sudden they will start moving forward and be in a position that they can either restructure that in the future to do new projects and do things they may not be able to do at this point.

- Mayor McLaughlin said that will help their bond rating.
- Mr. McShane said exactly, that is what they are hoping. He said the information on page 8 is from a numbers standpoint and how this makes their new debt profile look. He said the red dotted line represents their current debt service payments if they did nothing. He said if the plan is implemented as structured, it frees up all that debt service and the blue line will be their new total payments. He said it goes down because they are going to pay off almost exactly where they would have received the money from the Authority. He said they get this break as they are receiving the money and then as that was planning to go away anyway, the debt service will go back up. He said they can

see that they will reduce their debt service by that yellow column on the right hand side. He said from the Authority standpoint it makes a lot of sense to them. He said it puts them in a better cash flow position and helps them keep their rates as low as possible and actually reduces their debt service. He said it is a no-brainer and they will issue the bonds probably next week. He said once they issue the bonds they expect to close that transaction prior to September. He said if they don't have a resolution in place on how to peg that money and where it goes, it will just sit there and will be technically budgeted money. He said that is why they are here tonight to talk about how and what to do with those funds. He said no matter what they pass and when they do pass it, if they do pass this resolution tonight, it doesn't tie their hands forever. He said they can pass a resolution to change it any day in the future. He said he knows it is a lot of numbers and a lot of things going on and a lot of moving pieces but the essence of it all they are doing is reducing the City debt by using funds that they were using to reduce debt anyway. He said the actual benefit is that they are actually gaining because they are reducing debt at a higher rate than what they let the Authority borrow from them.

- Mr. Cherepko said that is why he wanted Mr. McShane to at least have a chance to present this information because that was his understanding also. He said it is a no-brainer that way and if anyone comes up with a different idea at any time, they can sit down and it can be changed. He said the money is coming whether they like it or not at this point and they need to put it to work for the City for a variety of reasons.
- Mr. McCall said they are also stuck with two bonds until 2014.
- Mr. McShane said yes.

- Mr. McCall said they are stuck with those so they actually cannot pay those.
- Mr. McShane said the best would be if they could take them both off the market today, but they cannot. He said however there is an alternate plan to the City that has come up. He said they actually have a second resolution on the Agenda tonight that can really help them and put them in a better position. He said before they get to that, he would like to make sure there are no more questions on this plan. He said then he will have Ronald Brown from Grogan and Graffam present the resolution and go through what that resolution does and what powers it gives Council on how to handle those funds.
- Mr. Segina said this is no slant on Mr. McShane however, they are talking about a \$24 million bond issue and it seems like MACM is wagging the City's tail by putting this forward. He said he wishes there would have been a collaboration of both MACM and the City Council because they are an elected body and they are an appointed body over there. He said what good reason would there be not for the City to meet and go over all this. He said if Mr. McShane thinks and he has studied some bonds before but he still could not digest this in the next few minutes it takes to okay this particular resolution. He said this is insane that this is presented to them at this particular time without proper representation and they need to sit down and go over this whole thing. He said this could be a good plan, he doesn't know. He said what is the initiative ... he doesn't know who initiated this whole thing. He said he thought it was MACM and he doesn't think that is the right thing to do. He said they should have come to the City of McKeesport and sat down with Council members and the Administration and gone over this to see how it benefits each of them and what the drawbacks are too. He said that did not happen. He said what is the bond interest that they will be paying over at MACM.

- Mr. McShane said they will have that locked down Tuesday.
- Mr. Segina said they don't know.
- Mr. McShane said they will know for sure Tuesday. He said the Bond market has been very favorable in the past week and a half. He said the rates have dropped between 20 and 25 basis points. He said it doesn't mean that they might not increase in the next two days. He said it has been a very volatile market. He said however this would be a very favorable time for the Authority and even better than what they had anticipated.
- Mr. Segina said the other thing is that Mr. McShane is coming here and on the Resolution and telling them where the money is going to go once it hits the City. He said even if it is a suggestion, he thinks it is wrong for him to do because he doesn't agree with all of the things that are in here. He said he doesn't have a difference of opinion with him on it because he doesn't know enough about it but he resents the fact that they are being dictated to and saying this is the best way to go by MACM which Mr. McShane represents right now.
- Mr. McShane said correct.
- Mr. Segina said who is the Bond Counsel for these.
- Mr. McShane said it is Ron Brown and he is in the audience.
- Mr. Segina said and legal counsel, who is legal counsel.
- Mr. McShane said the same.
- Mr. Segina said is there anyone else involved in this.
- Mr. McShane said no.
- Mr. Segina said no one else.

- Mr. McShane said they were bringing in ... he is glad Mr. Segina brought that up because he meant to talk about this before. He said they brought in PFM to analyze and to discuss this with the Controller that what they want to see is the best transaction possible for the City. He said they brought in separate financial advisors that would be acting as Escrow Advisors and they are going to structure the Escrow and hand it over to them short of their rebuttal about what they think should be done with those funds. He said they are the largest financial advisor in the U.S. and they have an impeccable reputation and that is who they are going to rely upon to sort of put the stamp on their plans
- Mr. Segina said they couldn't have sat down prior to this and gone over this whole thing before voting on
- Mr. McShane said they have gone over it with the Administration.
- Mr. Segina said \$24 million is nothing to sneeze at and that is what he is asking them to approve tonight.
- Mr. Cherepko said he thinks once again it is not that they are issuing this bond. He said this money is actually going to
- Mr. Segina said he knows that but the money is coming here and they do have a Cash Flow of 4% interest. He said that is easy for them to digest because it is easier to budget. He said they know they are getting \$163,000 per month at 4% interest. He said with this, there are recommendations here on what to do with the money but there is no assurance though.
- Mr. Cherepko said there are recommendations in there Mr. Segina because instead of getting \$25 million and just setting it there, it will just sit there, this is a recommendation that they have put together through the

Administration and himself and they sat down and came up with a plan that they feel is best for the City.

- Mr. Segina said why couldn't the rest of City Council be involved in it then.
- Mr. Cherepko said that is what they are here for.
- Mr. Segina said he would have felt a lot better.
- Mr. Cherepko said this can be changed at any time.
- Mr. Segina said he would have felt a lot better and that is why he asked to table it so they could get an analysis on it, an unbiased analysis
- Mr. Cherepko said but that money is coming.
- Mr. Segina said then they could then have a better understanding of what this is all about.
- Mr. McCall said the bottom line is this, up to \$24 million or \$25 million is coming to the City because they are restructuring the debt at the Authority. He said it is coming to the City. He said it can just sit there. He said what they are trying to do is break it down for the City and put it into these accounts and it is going to sit there. He said the City is going to have control of all that.
- Mr. Segina said he understands all that.
- Mr. McCall said what doesn't he understand.
- Mr. Cherepko said they are also keeping it ... and making sure this money is Council's.
- Mr. Segina said he just said that to him. He said Mr. McShane is telling them where they are going to put the money.

- Mr. McCall said they came up with a plan to do this and they are going to help the City.
- Mr. Segina said why wasn't City Council involved in it also.
- Mr. McCall said why didn't he come up with that idea earlier.
- Mr. Segina said because he did not know about it.
- Mr. McCall said he did know about it, he just said he knew about it.
- Mr. Segina said that is what he is talking about. He said he asked about it and he said what about this bond and he even confused it with another issue they had there. He said they told him they would discuss that later and that was the last he heard about it and now they are called together to make an important vote on something that is before them regarding \$24 million. He said remember they have a legal instrument right now as a mortgage of \$163,000 a month.
- Mr. McCall said if it is paid in full then they don't have that mortgage.
- Mr. Cherepko said he also thinks
- Mr. Segina said no they have the mortgage and they own the mortgage and they are making the payments.
- Mr. McCall said and they are paying it off.
- Mr. Segina said and those are the questions he would like to ask. He said where is the advantage to the City that they are getting, instead of \$163,000 at 4%, the entire bulk. He said they have to wait until 2014. He said why not wait for the entire thing to go to 2014. He said what is the rush, Mr. McShane. He said he is not trying to be hostile about this but these are questions he would have asked if they would have met earlier.

- Mr. McShane said there is a rush. He said the Authority is in a very good position right now and he can't He said they have great cash flow, an A1 rating from Moody's which is the equivalent to a Standard and Poor's A+, they have the benefit and access to one of the lowest interest rates they have seen in the capital markets in the past 40 years. He said he doesn't know where the market is going to be in 2014 or what the Authority's financials are going to look like in 2014 but he knows when he looks at it today, it looks great for the Authority and it is his recommendation to them to move forward with the plan.
- Mr. Segina said can they guarantee that the sewage rates won't go up on it because that is one complaint he gets from everyone he talks to.
- Mr. McShane said he can tell him with this plan, their rate ... he will not say ... if they don't implement this plan at the Authority they would have higher debt service. He said he can't tell him if they would raise or lower rates because he is not an Authority Board member but he can tell him that their debt service would be higher without this plan. He said this lowers their annual payment by almost \$500,000 per year.
- Mr. Segina said they have had three or four Special Meetings now and everyone has been an emergency. He said this is the fourth one and is not an emergency as far as he is concerned. He said but if they make it as though it is a catastrophe or disaster if they don't vote on it now because the whole earth is going to fall in.
- Mr. Cherepko said he thinks they should keep in mind too that Mr. McShane and the team that he has put together is also the same team that has worked with the City when they issued their bonds years ago and their reputation speaks for themselves and they have been able to see the benefits right here in the City.

- Mr. Segina said he is not questioning his reputation or anyone's reputation.
- Mr. Cherepko said he thinks at this point
- Mr. Segina said however he does point the finger at Mr. Cherepko because he thought if Mike was in discussion with MACM and Mr. McShane, then he should have related that back to City Council so they were aware of what he was doing.
- Mr. Cherepko said he was never
- Mr. Segina said he could have even invited one or two representatives to sit down with Mr. McShane and go over these plans.
- Mayor McLaughlin said Mr. Cherepko was not in conference with the Municipal Authority or Mr. McShane that he knows of.
- Mr. Segina said well now why wasn't he.
- Mr. Cherepko said because he is involved on the City side
- Mr. Segina said that is one of the problems he is saying.
- Mr. Cherepko said on the City side, he had discussions with the Administration.
- Mr. Segina said Council should have been in on it. He said they should have said to Council that this is what they are planning on doing and then ask them how they feel about it and let them ask any questions they want. He said if they would have said this is what their plans were and then talking about it ... no problem. He said instead they came here now and MACM says this is what they are doing, vote on it right now.
- Mr. Cherepko said he thinks what Mr. Segina has to

- Mr. Segina said he doesn't think even with the change of language in here ... he saw the changes. He said if anyone here on this Council including him could understand all this language in here, then he will eat their hat.
- Mr. Cherepko said he will be willing to....
- Mayor McLaughlin said he thinks this was brought up about five months ago and they have talked about it over the last four or five months. He said if Mr. Segina thought they should have had a meeting together with the Municipal Authority Board, he wished he would have suggested it then. He said then they could have moved forward from there.
- Mr. Segina said he did bring that up. He said it was said to him that they are going to have this discussion at a later date and Mr. Cherepko said it and they would go over the whole thing with them. He said here they are and that is fine if they have a meeting in the back room even and talk about it so they really know what is going on with it. He said but now they are saying they have to vote on it.
- Mr. Cherepko said his question to Mr. Segina is that this is the meeting they were speaking of. He said if they put any meeting together before this and Mr. McShane came in to see them, he would say okay Mr. Segina let's see your plan. He said does Mr. Segina think he could put together something like this.
- Mr. Segina said hell no, he is not a bond expert. He said that is why he would have questions about it.
- Mr. Cherepko said this is his chance to ... this is why they trust him to come and present this to them and he then asks the questions. He said they could not come up with this plan.
- Mr. Segina said it is even difficult to know what questions to ask. He said that is why he said they should have an independent analysis on this. He said just to balance out for

the City's side. He said they are all taxpayers and elected officials and they are responsible to them. He said then they would understand what really is going on.

- Ms. Diggs said she has a question.
- Mr. Cherepko said go ahead Ms. Diggs.
- Ms. Diggs said if they tabled this, what would be the penalty to the City.
- Mr. McShane said the money is going to come into the City and
- Mr. Cherepko said it will just sit there.
- Mr. McShane said it doesn't matter if they pass this or don't pass this Ordinance, the money is still going to come into the City. He said once it hits the General Fund,
- Mr. Cherepko said that is why the better route would be to have a plan for it now and then if they all want to reconvene after this point and sit down with Mr. McShane and say let's look at another plan, they can do that. He said but in the meantime, they do not want to receive \$24 million and some odd change and just have it sit there. He said this is a plan for it now so tabling it just makes no sense because they can come back and reconvene and if they want to come up with another plan that is what they will do. He said wouldn't they agree that makes sense.
- Mr. McShane said that is very possible. He said Ray Malinchak brought up a good point that as soon as the money comes in they are losing cash flow of some amount, and he does not remember the number, but it was something like \$1,500 a day. He said as that money sits there without a plan, the most important thing to do is to get the bonds called off the market as soon as possible at least on that tax-exempt side. He said they are recommending calling \$5 million as soon as possible. He

said as soon as that money comes in they are going to put a call notice out and get those bonds off the market because that gives them an investment in themselves. He said they are losing 4% and how are they going to get 4% back, they are going to take bonds that they are paying 4.5% and get those off the market as soon as possible. He said if that happens immediately ... every day that they don't implement a plan it is \$1,500 a day that they lose.

- Mr. Cherepko said keep in mind also that because he knows this is something that Mr. Segina has been very outspoken about over the past several years. He said without this plan too when the money comes to the City, this Council has no say. He said not that ... this is to protect everyone involved. He said it is now a team thing.
- Mr. Segina said this could be a good plan who knows. He said he just wants to know more about it so he can give a good reasonable adjustment on it. He said he does have a question on one thing. He said they have the cost of issuance and then they revised the cost of transaction. He said is that a cost to the City or a cost to the MACM and what is it.
- Mr. McShane said that is a cost to the City.
- Mr. Segina said why.
- Mr. McShane said there are obviously documents that need to be prepared on the City's behalf, the Resolution that was prepared tonight. He said that is going to go to legal counsel. He said the legal counsel fees in this transaction are estimated to be about \$20,000. He said he has a fee for himself in the transaction which is estimated at about \$10,000. He said to bring in PFM to provide an analysis to make sure that everything they want done is done correctly and that analysis will be brought back to the City is estimated to cost about \$8,500. He said to set up the Escrow Accounts there is a fee of about \$1,500 to work with

a trustee bank to provide those services. He said when it is all said and done and they got those final figures in today, that number was revised to about \$40,000. He said those are as low as he has seen costs. He said he can tell them that their fee alone for the services they are going to provide is usually triple that.

- Mayor McLaughlin said out of what, \$5 million or \$24 million.
- Mr. McShane said out of the proceeds when they receive them.
- Ms. Walker said she would like to hear from the Mayor and Mr. Pittman. She said her issue is not who went to who because it is common that the Mayor and Mr. Pittman sit down and bring ideas to Council. She said her issue is not about who went to who but she does what to hear what they think about it since they have been talking with MACM about this. She said she wants their opinion on it and why it is an advantage to the City and if there are any disadvantages to the City. She said she also has a question for the Solicitor as well. She said if they move ahead and vote on this, is the fact that some Council members sitting on the Authority ... that is a separate issue, correct.
- Mr. Alexander said it is a separate issue.
- Ms. Walker said okay. She said she wants to hear from the Mayor and Mr. Pittman.
- Mayor McLaughlin said this plan was brought up five or six months ago and he read the letter to Council if she remembers. He said this is a good thing for the City because it is going to keep the City moving forward in the next four to five years without struggling, raising taxes, doing this or doing that. He said it is a big plus for the City. He said it helps the City first of all because the City can pay off some debt from the City and that builds up their rating from Moody. He said that way if the City needs money they

can go to Moody and do what they have to do. He said they spent 2-1/2 hours on the phone with Moody's.

- Mr. McShane said it is very similar to the personal lives and if someone has a lot of debt and then they go out and take on more debt. He said if you need to get a new car it is going to cost you a lot more and you may not get that new car that you wanted. He said with this his only goal is to put a plan together to help them get upgraded and not affect their cash flow. He said the easiest thing to do was to pay off all the long bonds and then they would have a cash flow problem. He said he is working with the Administration trying to figure out how to help the cash flow and pay off debt. He said they talked about a conflict of interest and his interest is only for the City because they are going to get this money no matter what. He said he wants to see the City in the best position possible moving forward. He said they have been working with the Administration. He said they have never been able to do it because the Authority has never been in a position to prepay it. He said they were lucky enough in the last six months to obtain \$15 million from PENNVEST as a grant. He said they always planned that that money would have to be bonded for. He said that helped to put them in that position. He said they got \$18 million in a grant and \$18 million at 1%. He said that allowed the Authority to be put in a position to prepay this and give the City these funds back.
- Mr. Tedesco said what is Dennis' take on this.
- Mr. Pittman said let him offer this in a context that is in his opinion in more layman's terms and something he can understand. He said they have \$31 million in outstanding debt and their primary responsibility, and some of them have sat through the budget process with them, is to pay off bonds first. He said when they start the budget that is the first big hunk they have to put in the budget. He said they follow that up with paying pensions. He said those are two

enormous numbers every year when this Council's challenge is creating a balanced budget. He said the benefit of the plan as he views it, is that it gives them an opportunity to continue to move forward to the call date of 2014 and it reduces the pressure on making those bond payments. He said he would not want the public to think that if they had \$24 million in the bank that they were well heeled and could do anything they chose. He said if they use that \$24 million to do anything but reduce this bonded debt, they would have literally mortgaged the future of this City away. He said there would be no opportunity long term without raising taxes beyond a number that anyone could pay. He said for them to go forward and try to create a strategy to move this City from where it is today to a better position in the future. He said he thinks this is an advantage to the City because it gives them the opportunity to meet their bonded debt and manage their cash flow. He said those are two big issues. He said Mr. McShane has alluded to 2014 and that is going to be a very big year. He said in a perfect world they will have a bonded debt of approximately \$10 to \$11 million and they will have to meet those debt payments. He said he wished he had a crystal ball and could tell them this mill site would be filled up and they would have new homes built and residents in the City that were all working and paying earned income tax. He said if he could do that, he would be real valuable all over the place. He said it does tell them that this Council has an opportunity to develop a strategy and implement it through the year 2014 knowing that that will be their outstanding bonded debt and they will have a balanced budget. He said it is not going to leave a lot of discretionary income. He said anyone who would think that if they did that, they have all kinds of blue skies and can spend a lot of money on discretionary things, they won't. He said they are still going to have to be very close to the belt and watch their capital expenditures on equipment and they know some of that needs replaced. He said they have the cost of living increases in their union contracts. He said

the challenge is still in front of them but this gives them an opportunity to manage that in a better format.

- Mr. Segina said he would like to tell them why he is skeptical about this. He said it goes back to his years when he was Public Works Director. He said he did not sit on Council then and have a vote but he remembers there was a lot of pressure to sell the Water Department at that time. He said the pressure was almost unbearable for the Mayor at that particular time. He said after so many months or a year and a half, a deal was worked that the City was going to get \$1 million after paying all the debt and put it in their coffers. He said at that time fiscally they were starved and had no money. He said they had deficits every year, \$350,000. He said at that time that was a lot more money than what it is today. He said they got the \$1 million and it took them out of the reserve. He said they ended up two years later, broke again. He said that was back in 1991 and they were broke. He said it took five more years before they ended up in the black again. He said they ended up after their current Mayor then in 2000 went out and they handed over \$1 million to the new Mayor after they built that surplus up and ended up over \$2 million four years later in the hole. He said that is why he is skeptical and that is why he has the questions he has about this, so that they can more fully understand not only what these parameters are on this but what they are going to do with the money this stuff is over. He said he thinks that is something they have to sit down and he knows it is going to go because he can see the way the flow of this language is going right now. He said but he thinks they should have an opportunity to sit down and say this is where the money is going to go as far as the City, what is best for the taxpayers of the City of McKeesport and the City itself.
- Mr. Cherepko said just to comment on what he said he is glad to see that he mentioned the whole sale of the water plant because this plan may just really help them in not

having to sell that Sewage Plant someday and run into a lot of the same problems that he is mentioning right now.

- Mayor McLaughlin said they have a group of people sitting here and there is a group of people coming in that are Council people and he thinks they will be on top of everything Darryl as he is and everyone here is and he doesn't think they will let that happen. He said he thinks Council will keep an eye on it. He said Council is like a watchdog. He said look at it that way. He said they are the seven people sitting there overlooking it.
- Mr. Cherepko said it will always be them and that is
- Mr. Segina said he thinks something like this ... there is a process and he will reiterate again that they should have been in on it from the beginning so they know what is going on with it and can make a saner judgment on what they are voting on.
- Mr. Tedesco said he thinks that the issue and what Darryl said is more the way this was handed to them. He said there was less than a 24 hour review of this ... it is not necessarily whether they agree or disagree with it, it is just the manner in which it came to them.
- Mr. Segina said this might be a good plan or a bad plan but he doesn't know. He said that is why he wanted to sit in from the beginning so they could have some kind of input. He said Mr. Cherepko as President of Council should have relayed that back to them the minute he knew about it and told them what was going on.
- Mr. McCall said if he is not mistaken, with this plan here, it can be changed and once the money comes to them, they can sit down and come up with something else or a better plan.
- Mr. Cherepko said if Darryl comes up with a better idea, then they can discuss that.

- Mr. McCall said let's put it somewhere now so it is just not sitting in the General Fund.
- Mr. McShane said as soon as they call in the bonds, those bonds are gone. He said that is the only money that is out the door spent. He said that is a no-brainer. He said they would do that all day long, pay off bonds that are higher than 4%. He said that makes money for the City.
- Mayor McLaughlin said years back when the Authority bought the lines, the interceptors, the delinquent sewage bills and that, it was no big deal. He said the money came there and they did what they had to do with it. He said it is no big deal.
- Mr. Cherepko said to move along he thinks everyone is okay. He said do they want to hear from Mr. Brown. He said does he want to speak. He said no he is on the second one ... no he is on this one.
- **RONALD J. BROWN, GROGAN GRAFFAM, 4 GATEWAY CENTER, 12TH FLOOR, PITTSBURGH, PA 15222.** Mr. Brown said Mr. President, Members of Council and ladies and gentlemen he is Ron Brown from the law firm of Grogan Graffam. He said they have before them tonight an Ordinance that the objective of which is to implement the plan that Mr. McShane has described in terms of providing primarily for reduction or redemption of existing debt in their Series A of 2005 Notes and their Series B of 2005 Notes and to provide for the cash flow accounts that Mr. McShane described but also within those parameters to give them some flexibility in terms of allowing for some of that money to be available for capital improvements as determined by a majority of City Council needs to be met in terms of future needs. He said also the second Ordinance they have presented tonight deals with another opportunity that Mr. McShane can describe which is the ability to use some of these prepayment proceeds from the Authority to entertain an offer by one of their bondholders to put back some of

their bonds to them at a price that would be advantageous to the City. He said there would be more of a description of that shortly. He said this Ordinance does focus in the date that they discussed already which is September 1, 2014. He said it appoints the advisors that Mr. McShane described to not only anticipate the needs that would come out of this escrow fund but also look for the best investment opportunities of that fund so that while those monies are not spent, they are receiving the highest interest rate or return on those monies that they can. He said it is also all of this is expressly conditioned upon the Authority issuing and settling its bonds. He said as Mr. McShane described, the market is attractive and the Authority Board has already approved going forward with the bond issue and it is a matter from their standpoint of getting guidance from their underwriters as to the most beneficial terms for the sale of their bonds which they would expect would occur early next week. He said the Ordinance is as Mr. McShane described the vehicle by which the opportunities that they have presented to them by the receipt in excess of \$24 million can best be allocated to the kinds of needs they face daily in terms of their debt service, their cash flow requirements and some other opportunities, one of which they will hear more about shortly. He said he will be happy to answer any questions. He said he has had the pleasure of working with this Council and it goes back many years because he was involved as Bond Counsel on the 1997 Bond Issue so he is familiar going back to what is described in here in terms of the 1997 Agreement between the City and the City issued those bonds on behalf of the Authority. He said he is happy to be here again tonight 14 years later hopefully helping the City again. He said thank you.

- Mr. Segina said did Mr. Alexander write this Ordinance.
- Mr. Alexander said the Ordinance, no the Bond Counselor wrote that.

- Mr. Segina said did Mr. Brown write it.
- Mr. Brown said they prepared the draft Ordinance that was circulated to their Solicitor and to Mr. McShane and the Administration so that the input in terms of the proposed allocation of these monies is a combination of Mr. McShane's proposals and the input from the City and from its Solicitor. He said in terms of the Ordinance, it had input from the Solicitor and from the team that Mr. McShane has put together.
- Mr. Alexander said he did not talk to anyone, he believes Mr. Dice had input into it. He said certainly when these Ordinances are prepared, they are normally prepared by the Bond Counsel or the Underwriter Counsel. He said that is routine for the Bond Counsel, that is their specialty.
- Mr. Cherepko said are there any other questions.
- Mr. Pittman said he would like to ask a question. He said the Resolution as they have it differs slightly from the presentation in the book in the numbers that were presented. He said the only difference is the cost of transaction in the Resolution is \$67,500 and the cost of transaction here is \$40,000 for the City and that is what Mr. McShane said it would be. He said would it be appropriate to adjust this Resolution to reflect the \$40,000 and not the \$67,500 as the cost of transaction.
- Mr. Alexander said whichever is the right number is the one they should use.
- Mr. McShane said he thinks it always refers to estimated from all of those so there is not a need to adjust it because all of those are confirmed. He said the Resolution addresses it as estimated but they will come in as they have them broken out in their presentation.
- Mr. Brown said if he can answer that, he thinks that in furthering what Mr. McShane has said, the Ordinance

provides that at September 1, 2014, whatever amount the bonds that are retired at that time ... any of the Series A Notes that are retired or any of the cash flow uses or if the tender offer is accepted, any balance which would not be significant assuming these other activities occur, any balance would be paid over to the City by the Escrow Agent. He said any unexpended monies would then come to the City. He said he thinks that John has indicated what the ceiling is on the transaction costs and that is certainly what would be the way those costs would be calculated and if there is additional dollars that can go into any of the other purposes that can happen.

RC-3 YEAS: CHEREPKO, DIGGS, McCALL, WALKER..... 4
 NAYS: SEGINA, TEDESCO 2

ORDINANCE #11-15 – BILL #179: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF McKEESPORT, ALLEGHENY COUNTY, PENNSYLVANIA, (THE "CITY") HIRING CERTAIN PROFESSIONALS TO ASSIST THE CITY IN THE REVIEW AND DOCUMENTATION OF THE POSSIBLE PURCHASE OF A CERTAIN AMOUNT OF THE CITY'S CURRENTLY OUTSTANDING TAXABLE GENERAL OBLIGATION NOTES, SERIES B OF 2005 (THE "2005B NOTES") IN THE APPROXIMATE OUTSTANDING PRINCIPAL AMOUNT OF \$5,000,000; APPOINTING OF A PRICING COMMITTEE TO DETERMINE THE PURCHASE PRICE OF THE 2005B NOTES; DIRECTING THE PROPER OFFICERS OF THE CITY TO EXECUTE, DELIVER AND CERTIFY APPROPRIATE DOCUMENTS AND CERTIFICATES AUTHORIZED HEREIN AND AS OTHERWISE NECESSARY AND PROPER, AND TO DO AND PERFORM CERTAIN SPECIFIED AND REQUIRED ACTS, ALL THE FOREGOING AS NECESSARY AND APPROPRIATE; PROVIDING FOR SEVERABILITY OF PROVISIONS; REPEALING ALL ORDINANCES OR PARTS THEREOF INsofar AS THE SAME SHALL BE INCONSISTENT

HEREWITH AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS ORDINANCE.

MOTION: **Mr. McCall moved, seconded by Ms. Diggs, "To adopt Bill #179."**

COMMENTS:

- Mr. Cherepko said he thinks whoever is here to discuss this can come forward, introduce himself and explain this to Council.
- **PATRICK HEALY, DIRECTOR, COHEN & GRIGSBY, P.C.**
Mr. Healy said this is his first time here and he doesn't represent anyone else. He said this Ordinance if adopted appoints his firm, Cohen and Grigsby, as Special Counsel to the City in pursuing this transaction. He said what this transaction and the Ordinance sets out is that a holder of about \$4 million to \$5 million of their 2005B Notes, closer to the \$5 million mark, has expressed an interest in selling those notes to the City. He said those are the notes that they cannot call until 2014 so they have to keep paying interest on them between now and 2014 until they can call them in. He said if they can get those notes in today, it would be an economic plus for the City. He said this is an opportunity where there is a seller out there and his sense after talking to his broker, is that the investor has some reason he wants to sell ... he needs money or is trying to raise money. He said he doesn't think they want to wait until 2014 if he is even aware of the 2014 optional call date. He said they have expressed an interest in entering into a negotiation with the City to sell these Bonds back to the City at a price less than par, less than 100 cents on a dollar. He said that is another benefit to the City on top of being able to call them in early. He said they are asking "X" and he got an email from the broker asking "X" and they are proposing that in conjunction with the pricing committee that this

Ordinance appoints which consists of the Mayor, President of Council and the City Administrator that they come to an agreement on a price in back and forth fashion with the broker and prospective seller. He said once that agreement is reached, then they enter into a purchase sale agreement for the bonds outstanding and they pay for those out of the funds that the City has and that are part of the first Ordinance that was in the litany of uses of the structure. He said once the City gets them back in their hands they cancel them. He said it is a fairly unique opportunity and seemed to have aligned at the same time as this other restructuring they are contemplating doing. He said getting them in early instead of having to wait until 2014 and paying interest every six months between now and then is a big financial benefit to the City and paying less than par is a second big financial benefit to the City. He said that is what this Ordinance does. He said it appoints the pricing committee of those three individuals, it appoints his firm to help the City in the negotiation and documentation and the pricing committee has the power once the Ordinance is adopted to basically pull the trigger on the price "X" and buy the bonds and commit the City to purchase them out of the funds. He said it would not require further Council action. He said one of the reasons for his involvement is that there are some SEC disclosure issues because it is not just a seller and a buyer, the buyer is actually the same entity that issued the debt. He said they want to be sure this seller is told or provided with material that gives them a full knowledge of what is going on to the extent that there is a duty to give that to them. He said they don't have to show them every little thing but there are disclosure requirements he wants to be comfortable from their side that are made so that when the transaction is completed, then the seller or the seller's broker reads in the paper and finds out this plan is in place and had he held onto his bonds till 2014 he would have gotten 100 cents on a dollar instead of something less, that they don't have a gripe and come back and claim that they were not provided with full disclosure and then there is an

SEC regulatory problem. He said that is what they do as well as the documentation and the negotiation of the pricing committee and why he was brought in.

- Mr. Segina said what he is saying here in this is that he is asking the City to go into negotiation with him with regards to the final amount that is to be negotiated.
- Mr. Healy said correct. He said working with the City then back to the seller's representative.
- Mr. Segina said in the end then will the City have to vote on that amount to be settled upon. He said will that come back to them because they are just giving them the opportunity to talk to the City about buying these bonds back, correct.
- Mr. Healy said no, there is a committee.
- Mr. Segina said there are three of them.
- Mr. Cherepko said it will only be
- Mr. Segina said they are granting them the power at that particular time so it won't go back to Council for a final vote. He said this will be the final vote.
- Mr. Cherepko said it will only be a better one and simply put, he thinks this is a home run for the City.
- Mr. Healy said it is. He said this is really, as John used the phrase, a no-brainer.
- Mr. Segina said Mr. Cherepko keeps hitting home runs tonight.
- Mr. Cherepko said he is about as consistent as they come.
- Mr. McShane said they are a separate group from this transaction but it is uncanny that this call was made and this buyer wants to redeem his bonds. He said it couldn't have worked out any better for the City in terms of if they can

negotiate a price and have the funds available, that is a high water mark. He said that is the first thing they do is take those bonds in. He said again the interest rate they are paying on those bonds is 5.5% and on top of that they are paying an insurance company another 0.5% on a yearly basis. He said they are getting 6% on those funds. He said that is almost 4.5 times what they were receiving from the Authority.

- Mr. Segina said this is a better deal than the first one.
- Mr. McShane said again they are not involved in this. He said their numbers did not contain this transaction. He said if it happens, great. He said they are assuming that it doesn't happen but if it does it will make their numbers look that much better in terms of the City's money.
- Mr. Segina said this has nothing to do with the first one, then where does the City get the money to pay these.
- Mr. McShane said it is interrelated because the money is available in the first plan on September 1. He said their team is not involved in anything on this side.
- Mr. Segina said he wants to hear him say it.
- Mayor McLaughlin said he wants it on tape.
- Mr. McCall said the City doesn't have the money to pay for them.
- Mr. Segina said he understands that and that is why he is asking.
- Mr. McShane said they cannot contemplate this transaction unless the Authority sells its bonds so they can't even ... he probably should not negotiate with this holder until the Authority sells its bonds. He said that is the only guarantee that the money is going to come in.

- Ms. Walker said she has a question for their Solicitor. She said why do they need a Special Counsel if they have a Solicitor and are they legally obligated to hire them to do this and if so how much will it cost them. She said is the Solicitor going to be involved and how much is he going to charge them or is that included in his retainer. She said her thing is why do they need Special Counsel if they already have a Solicitor.
- Mr. Alexander said these sources of financial transactions are niche transactions and are similar to why they need Bond Counsel with Mr. Brown. He said this is Mr. Healy's niche and what they do at Cohen & Grigsby. He said as a traditional Solicitor in any community that you are in, they are really not involved in these specialized niche works. He said certainly he will send things to them to review and get their opinion and whether it is contained in the retainer or not, he doesn't know the answer to that. He said their charges are a reduced municipal charge with them as their General Solicitor on day to day business. He said they have a very specialized niche market and that is why it is imperative that they have Special Counsel on these types of issues, such as Bond Counsel, Special Counsel, etc.
- Mayor McLaughlin said that is their specialty. He said that is all they do.
- Ms. Walker said how much is that going to cost them.
- Mr. Alexander said it is a percentage of what they get.
- Mr. Healy said he has not set that and it has been presented to him kind of recently. He said he just wanted to understand the mechanics of it.
- Mr. Segina said what percentage does he usually charge.
- Mr. Healy said it is usually an hourly basis not a percentage but he is willing to talk and discuss that so it is to the satisfaction.

- Ms. Walker said they are not legally obligated, this is just something he is recommending they do.
- Mr. Healy said if they don't culminate the sale, he will not send them a bill. He said it is a close or there is no bill, no harm no foul.
- Mr. Alexander said it is in the City's best interest to have Special Counsel on specialized transactions like this.
- Ms. Walker said is this the only thing that is a specialized transaction or are they going to have to go out and get special counsel on other things.
- Mr. Alexander said almost never.
- Mayor McLaughlin said only in large transactions like this.
- Mr. Alexander said they see some local municipalities going out and using special labor counsels to negotiate various collective bargaining agreements but their firm is almost 100% work for whatever the City's needs are. He said there are certain specialized niches such as bond work where they need that type of Counsel to do.
- Ms. Walker said do usually do this.
- Mr. Healy said they don't do it, the Solicitor does.
- Mr. Cherepko said they keep them in the loop about what is going on so that they are there and that is protocol.
- Mr. Alexander said in all the various communities that they have represented they have often worked with Mr. Healy and the folks at Cohen and Grigsby on these very types of issues. He said they are very familiar with their work and they are very well respected.
- Mr. Cherepko said if there is no more discussion or Mr. Segina doesn't want to see them negotiate something above 100% they will have a roll call.

RC-4 YEAS: CHEREPKO, DIGGS, McCALL, SEGINA,
 TEDESCO, WALKER 6

 NAYS: NONE..... 0

- Mayor McLaughlin said before they close he just wants to bring something up. He said they were approached by Highview Gardens and Midtown Plaza and they would like to have the police do security for them. He said they have been discussing this with them.
- Mr. Alexander said basically what it is the Garden wishes to do is utilize the police services for security in their buildings. He said they want to enter into a contract with the Police Department in order to facilitate that. He said they have reviewed the contract and the Chief has taken a look at it and it is certainly legal and there is nothing improper with regards to the contract. He said his only advice to the City and he spoke with Dennis before the meeting, just as a precautionary measure, even though it seems like everyone is on board with this, is to get the bargaining unit, Teamsters 205, to sign off on it so there is no question down the road and that they were on board as well.
- Mr. Segina said he thinks that would be the first order of business to talk to them and see if they want to have that contract. He said the second part is whether it is going to require any extra liability and who would share that liability.
- Mr. Alexander said all that is contained in the contract.
- Mr. Tedesco said how different would this be from like when they used to work for the Housing Authority.
- Mr. Pittman said it is the same thing except it is private.
- Mr. Alexander said these types of things happen all the time for instance in Monroeville, the police patrols the Monroeville Mall which is a private entity but they get paid from the Mall

to do that.

ADJOURNMENT:

President of Council Michael Cherepko adjourned the Special Meeting at 8:12 p.m.

Respectfully submitted,

Patricia A. Williams
City Clerk and Clerk of Council

APPROVED:

Michael E. Cherepko
President of Council

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